

QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended September 30, 2004

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

AS OF SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	ASSETS		
	Current Assets:		
1	Cash and cash equivalents.	\$ 17,163	\$ 18,262
2	Short-term investments.	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2004, \$ 4,575 ; 2003, \$ 7,426). NOTE 2.	14,373	7,234
4	Inventories.	1,279	1,263
5	Prepaid expenses and other current assets.	2,899	1,840
6	Total current assets.	35,714	28,599
7	Investments, Advances, and Receivables. NOTE 3.	11,584	13,274
8	Property And Equipment - Gross. NOTE 4.	565,155	551,074
9	Less: Accumulated Depreciation/Amortization. NOTES 1 & 4.	(279,097)	(263,164)
10	Property And Equipment - Net.	286,058	287,910
11	Other Assets. NOTES 1 & 5.	77,001	77,001
12	Total Assets.	\$ 410,357	\$ 406,784
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts payable.	\$ 2,085	\$ 1,359
14	Notes payable.	-	-
	Current portion of long-term debt.		
15	Due to affiliates.	-	-
16	Other.	-	-
17	Income taxes payable and accrued.	-	-
18	Other accrued expenses. NOTE 6.	18,258	21,413
19	Other current liabilities. NOTE 7.	10,193	12,761
20	Total current liabilities.	30,536	35,533
	Long-Term Debt:		
21	Due to affiliates. NOTE 8.	200,000	200,000
22	Other.	-	-
23	Deferred Credits.	-	-
24	Other Liabilities. NOTE 9.	103,178	100,292
25	Commitments And Contingencies. NOTE 1.	-	-
26	Total Liabilities.	333,714	335,825
27	Stockholders', Partners', or Proprietor's Equity. NOTE 10.	76,643	70,959
28	Total Liabilities And Equity.	\$ 410,357	\$ 406,784

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenues:		
1	Casino.	\$ 226,250	\$ 234,806
2	Rooms.	18,304	18,833
3	Food and beverage.	30,807	31,106
4	Other.	9,799	8,774
5	Total Revenues.	285,160	293,519
6	Less: Promotional allowances.	65,969	65,671
7	Net Revenues.	219,191	227,848
	Costs And Expenses:		
8	Cost of goods and services.	140,496	144,389
9	Selling, general, and administrative.	33,068	29,345
10	Provision for doubtful accounts.	59	784
11	Total Costs and Expenses.	173,623	174,518
12	Gross Operating Profit.	45,568	53,330
13	Depreciation and Amortization.	13,161	13,632
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	7,412	7,696
15	Other.	-	-
16	Income (Loss) From Operations.	24,995	32,002
	Other Income (Expenses):		
17	Interest (expense)-affiliates. NOTE 8.	(13,468)	(13,500)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	114	(1,605)
20	Nonoperating income (expense) - net. NOTE 12.	280	236
21	Total Other Income (Expenses).	(13,074)	(14,869)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	11,921	17,133
23	Provision (credit) for income taxes. NOTE 1.	5,482	7,290
24	Income (Loss) Before Extraordinary Items.	6,439	9,843
25	Extraordinary items (net of income taxes - 20__, \$)	-	-
26	Net Income (Loss).	\$ 6,439	\$ 9,843

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenues:		
1	Casino.	\$ 82,808	\$ 82,080
2	Rooms.	7,242	7,204
3	Food and beverage.	11,741	11,177
4	Other.	3,471	3,418
5	Total Revenues.	105,262	103,879
6	Less: Promotional allowances.	25,076	23,463
7	Net Revenues.	80,186	80,416
	Costs And Expenses:		
8	Cost of goods and services.	49,192	51,305
9	Selling, general, and administrative.	11,251	8,474
10	Provision for doubtful accounts.	187	240
11	Total Costs and Expenses.	60,630	60,019
12	Gross Operating Profit.	19,556	20,397
13	Depreciation and Amortization.	4,464	4,217
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	2,723	2,704
15	Other.	-	-
16	Income (Loss) From Operations.	12,369	13,476
	Other Income (Expenses):		
17	Interest (expense)-affiliates. NOTE 8.	(4,493)	(4,500)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	878	(551)
20	Nonoperating income (expense) - net. NOTE 12.	84	67
21	Total Other Income (Expenses).	(3,531)	(4,984)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	8,838	8,492
23	Provision (credit) for income taxes. NOTE 1.	3,824	3,760
24	Income (Loss) Before Extraordinary Items.	5,014	4,732
25	Extraordinary items (net of income taxes - 20__, \$)	-	-
26	Net Income (Loss).	\$ 5,014	\$ 4,732

The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	_____	Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (62,335)	\$ 61,116
2	Net Income (Loss) - 2003.....							9,088	9,088
3	Contribution to Paid-in Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2003.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (53,247)	\$ 70,204
11	Net Income (Loss) - 2004.....							6,439	6,439
12	Contribution to Paid-in Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, September 30, 2004.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (46,808)	\$ 76,643

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	Net Cash Provided (Used) By Operating Activities.	\$ 2,463	\$ 27,503
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.	-	-
3	Proceeds from the sale of short-term investment securities.	-	-
4	Cash outflows for property and equipment.	(10,852)	(3,877)
5	Proceeds from disposition of property and equipment.	3	10
6	Purchase of casino reinvestment obligations.	(2,662)	(2,667)
7	Purchase of other investments and loans/advances made.	-	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables.	4,713	4
9	Cash outflows to acquire business entities.	-	-
10	Increase in construction - related liabilities.	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities.	(8,798)	(6,530)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.	-	-
14	Payments to settle short-term debt.	-	-
15	Cash proceeds from issuance of long-term debt.	-	-
16	Costs of issuing debt.	-	-
17	Payments to settle long-term debt.	-	-
18	Cash proceeds from issuing stock or capital contribution.	-	-
19	Purchases of treasury stock.	-	-
20	Payments of dividends or capital withdrawals.	-	-
21	Change in payable to affiliate.	1,278	(22,220)
22	Debt retirement costs.	-	-
23	Net Cash Provided (Used) By Financing Activities.	1,278	(22,220)
24	Net Increase (Decrease) In Cash And Cash Equivalents.	(5,057)	(1,247)
25	Cash And Cash Equivalents At Beginning Of Year.	22,220	19,509
26	Cash And Cash Equivalents At End Of Year.	\$ 17,163	\$ 18,262

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized).	\$ 13,468	\$ 13,500
28	Income taxes paid (refunded) - net.	\$ 5,482	\$ 7,290

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss)	\$ 6,439	\$ 9,843
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.	13,161	13,632
31	Amortization of other assets.	-	-
32	Amortization of debt discount or premium.	-	-
33	Deferred income taxes - current.	-	-
34	Deferred income taxes - noncurrent.	-	-
35	(Gain) loss on disposition of property and equipment.	(3)	(10)
36	(Gain) loss on casino reinvestment obligations.	(114)	1,605
37	(Gain) loss from other investment activities.	-	-
38	Net (increase) decrease in receivables and patrons' checks.	(5,529)	1,566
39	Net (increase) decrease in inventories.	124	177
40	Net (increase) decrease in other current assets.	(986)	(583)
41	Net (increase) decrease in other assets.	-	-
42	Net increase (decrease) in accounts payables.	(2,134)	(3,582)
43	Net increase (decrease) in other current liabilities excluding debt.	(8,291)	5,165
44	Net increase (decrease) in other noncurrent liabilities excluding debt.	(204)	(310)
45	Loss on extinguishment of debt, net of tax benefit of \$.	-	-
46	Amortization of CRDA assets	-	-
47	Net Cash Provided (Used) By Operating Activities.	\$ 2,463	\$ 27,503

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment.	\$ 10,852	\$ 3,877
49	Less: Capital lease obligations incurred.	-	-
50	Cash Outflows For Property And Equipment.	\$ 10,852	\$ 3,877
	Acquisition Of Business Entities:		
51	Property and equipment acquired.	\$ -	\$ -
52	Goodwill acquired.	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment.	-	-
54	Long-term debt assumed.	-	-
55	Issuance of stock or capital invested.	-	-
56	Cash Outflows To Acquire Business Entities.	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.	\$ -	\$ -
58	Less: Issuances to settle long-term debt.	-	-
59	Consideration in acquisition of business entities.	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	293,794	\$ 11,786		\$
2	Food	1,198,200	15,189		
3	Beverage	2,416,612	6,283		
4	Travel			65,654	1,809
5	Bus Program Cash	489,921	8,378		
6	Other Cash Complimentaries	669,672	19,750		
7	Entertainment	62,631	1,703	4,482	560
8	Retail & Non-Cash Gifts	44,979	2,592	10,691	5,289
9	Parking				
10	Other *	7,624	288	155,326	1,427
11	Total	5,183,433	\$ 65,959	236,653	\$ 9,085

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	108,789	\$ 4,653		\$
2	Food	447,667	5,797		
3	Beverage	869,066	2,259		
4	Travel			25,777	644
5	Bus Program Cash	183,726	3,100		
6	Other Cash Complimentaries	306,924	7,804		
7	Entertainment	14,567	447	1,832	229
8	Retail & Non-Cash Gifts	16,627	902	5,191	2,139
9	Parking				
10	Other *	2,772	114	60,921	562
11	Total	1,950,138	\$ 25,076	93,721	\$ 3,574

* No item in this category exceeds 5%.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at September 30, 2004 and 2003, and its statements of income for the three and nine months ended September 30, 2004 and 2003 and its statements of cash flows for the nine months ended September 30, 2004 and 2003. All such adjustments were of a normal recurring nature.

Proposed Sale of the Atlantic City Hilton

On September 27, 2004, CEI entered into a definitive agreement to sell most of the assets and certain related liabilities of the Company as well as the assets of certain other affiliates of CEI to Resorts International Holdings, LLC ("Colony") an affiliate of Colony Capital, LLC, a Los Angeles based international private investment firm, for approximately \$612,000,000. The transaction is expected to close by the end of the first quarter of 2005 and is subject to customary closing conditions outlined in the purchase agreement. Upon closing, Colony anticipates operating the Atlantic City Hilton.

Effective with the definitive agreement, the Company's assets are held for sale and property and equipment will no longer be depreciated.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three and nine months ended September 30, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$4,464 and \$4,217 for the three months ended September 30, 2004 and 2003, respectively; and \$13,161 and \$13,632 for the nine months ended September 30, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

Costs in excess of acquired assets

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). Pursuant to SFAS 142, goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

Connection Card Program

During the 2nd quarter of 2003, the Company implemented the Connection Card Program. The Connection Card Program allows players at any CEI casino in the United States to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at September 30, 2004 and 2003.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

New Jersey tax legislation

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

An affiliate of the Company, Boardwalk Regency Corporation ("Caesars Atlantic City") has started construction of a new parking garage and has entered into an agreement with Pier Developers, Inc. for the renovation of the Ocean One Shopping Mall, located on the boardwalk in Atlantic City. The Company, Caesars Atlantic City and Bally's Atlantic City entered into a credit agreement (the "Credit Agreement") with the CRDA to partially finance the construction of these projects. The Credit Agreement provides for funding from the CRDA for qualified development costs incurred. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company and its affiliates' investment obligations. For the nine months ended September 30, 2004, the Company has received \$3,856 of previously deposited funds from the CRDA. Upon receipt of these funds, the Company recognized a reduction of \$1,272 in reserves, to reflect its current estimated realizable value of its remaining CRDA investments.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be \$2,100, the first payment of which is to be made November 2004. This amount will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

Beginning with the first quarter of 2004, CEI allocated the Company certain expenses, such as information technology, internal audit and risk management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Advertising and Marketing Fee

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in the Hilton Honors Program, as well as a national and regional group advertising and sales promotions service fee equal to 1% of net room revenues.

Merger Agreement

On July 14, 2004, CEI, Harrah's Entertainment, Inc. ("Harrah's") and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation.

The transaction with Harrah's is subject to a number of conditions, including, among other things the approval and adoption of the Merger Agreement by the stockholders of CEI and Harrah's and upon receipt of all necessary antitrust, gaming and other approvals, and the satisfaction or waiver of all other conditions precedent.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – 2004, \$4,527; 2003, \$7,187)	\$ 7,110	\$ 4,839
Other (net of allowance for doubtful accounts – 2004, \$48; 2003, \$239)	2,786	1,810
Due from affiliates	<u>4,477</u>	<u>585</u>
	<u>\$ 14,373</u>	<u>\$ 7,234</u>

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables consist of funds invested with the CRDA, net of related valuation reserves of \$6,754 and \$7,251 at September 30, 2004 and 2003, respectively.

The Company, Bally's Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally's Atlantic City, resulting in a long-term payable to Bally's Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 66,655	\$ 66,655
Buildings and improvements	320,668	315,935
Furniture, fixtures and equipment	174,534	165,529
Construction in progress	<u>3,298</u>	<u>2,955</u>
	565,155	551,074
Less accumulated depreciation and amortization	<u>(279,097)</u>	<u>(263,164)</u>
	<u>\$ 286,058</u>	<u>\$ 287,910</u>

NOTE 5 - OTHER ASSETS

Other assets as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Cost in excess of acquired assets, less accumulated amortization of \$44,637	\$ 76,839	\$ 76,839
Other	<u>162</u>	<u>162</u>
	<u>\$ 77,001</u>	<u>\$ 77,001</u>

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NOTE 6 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$10,803	\$13,428
Insurance claims	1,345	2,591
Other	<u>6,110</u>	<u>5,394</u>
	<u>\$18,258</u>	<u>\$21,413</u>

NOTE 7 - OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to Bally's Atlantic City	\$ 2,462	\$ 2,039
Due to Caesars World Merchandising, Inc.	1,059	4,915
Due to affiliates-other	1,121	1,040
Unredeemed slot promotions liability	886	2,108
Unredeemed chip and token liability	808	582
Connection Card liability	1,433	983
Other	<u>2,424</u>	<u>1,094</u>
	<u>\$ 10,193</u>	<u>\$12,761</u>

NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
9% Note payable to Caesars Entertainment Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to CEI. On July 1, 2000, CEI assigned the \$200,000 note payable to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation ("CEFC"). The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

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NOTE 9 - OTHER LIABILITIES

Other liabilities as of September 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to CEI	\$103,178	\$100,016
Due to Bally's Atlantic City (See Note 3)	<u>-</u>	<u>276</u>
	<u>\$103,178</u>	<u>\$100,292</u>

Due to CEI consists of an unsecured, non-interest bearing intercompany account.

NOTE 10 - STOCKHOLDER'S EQUITY

At September 30, 2004 and 2003, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.

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NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 83	\$ 66
Gain on disposal of equipment	<u>1</u>	<u>1</u>
	<u>\$ 84</u>	<u>\$ 67</u>

Nonoperating income (expense) for the nine months ended September 30 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 277	\$ 226
Gain on disposal of equipment	<u>3</u>	<u>10</u>
	<u>\$ 280</u>	<u>\$ 236</u>